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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/06

SPONSOR Cisneros LAST UPDATED _____ HB _____

SHORT TITLE Affordable Housing Gross Receipts SB 369

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	(932.0)	(932.0)	Recurring	General Fund
	(622.0)	(622.0)	Recurring	Local Govern- ments

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

Responses Received From
Energy Minerals and Natural Resources (EMNRD)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 369 adds a new section to the Gross Receipts and Compensating Tax Act to allow for a deduction from gross receipts or governmental gross receipts the sales of tangible property to an organization that builds affordable housing.

The effective date is July 1, 2006.

FISCAL IMPLICATIONS

The gross receipts and governmental gross receipts revenue would decline in FY07 and subsequent years. TRD estimates that the fiscal impact would be \$1.54 million per year in reduced gross receipts tax collections for the state and the counties. This is based on an estimate of the materials cost of a typical NM house for 800 houses.

The impact will also affect the Government gross receipts fund which will reduce revenue distributed to the Energy Minerals and Natural Resources Department.

SIGNIFICANT ISSUES

The buyer of building materials will have to get a non-taxable transaction certificate (NTTC) to deliver to the seller so the seller can claim the deduction.

ADMINISTRATIVE IMPLICATIONS

TRD reports that the bill does not establish who is a qualified grantee and how a grantee becomes qualified. This information would be needed to grant an NTTC.

OTHER SUBSTANTIVE ISSUES

The New Mexico Affordable Housing Tax Credit Program, signed into law April 2005, provides tax credits to individuals, businesses and local governments that provide donations to affordable housing projects approved by the New Mexico Mortgage Finance Authority. Credit can be taken on income taxes, gross receipts taxes and compensating taxes (excluding local option gross receipts tax imposed by a municipality or county, or the government gross receipts tax) to any eligible individual, business, and local or tribal government that donate land, buildings, cash or services for an affordable housing project approved by MFA or for a trust fund administered by the MFA.

NF/mt